

2007-2008 PERFORMANCE PLAN – CHIEF INVESTMENT OFFICER (R. Read)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	1 st Quarter Status
35%	Total Fund	Excess return in basis points relative to total fund performance benchmark. (SJ1C – CPERSTOT)	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5	+ 8 bps
10%	Global Equity Performance	Return deviation in basis points relative to: Global Equity performance benchmark (GLOBLIC vs. CPERSGE2)	- 50 basis points = 0 - 10 basis points = 1.0 + 15 basis points = 1.5	-36
10%	AIM Program Performance vs. AIM Benchmark	Total AIM portfolio investment performance vs. Venture Economics young fund median return benchmark for measured time period. Identifiers: N/A – performance and benchmark compiled quarterly by Wilshire	Median = 0 Median +150 = 1 Median +250 = 1.5	Above Target Excess Return: +2,055 bps
10%	Global Fixed Income	Total Global Fixed Income vs. 88% Lehman Domestic Index/12% WGBI ex US. (SJEK – CPERGFI)	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5	+1 bps
10%	Real Estate	Total Real Estate vs. NCREIF Property First Quarter Lag Index.	0 basis points = 0 +50 basis points = 1.0 +75 basis points = 1.5	-29 bps
75%	Subtotal	Quantitative Measures		

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Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	1 st Quarter Status
25%	Leadership	<p>Demonstrate leadership within CalPERS and in the external investment community, as both industry and staff (or team) leaders. Dimensions, all of which will be considered, include:</p> <ul style="list-style-type: none"> • Within Investment Group (e.g., teamwork within and across asset classes, timely preparation of staff performance appraisals, appropriate employee recognition) • Trustees (e.g., written and oral presentations to Investment Committee and Investment Policy Subcommittee) • CalPERS (e.g., involvement in enterprise-wide initiatives and programs) • External Investment Community (e.g., relationships with external business partners and stakeholders, presentations at conferences and similar events, representation on external boards and committees) • Diversity (e.g., promote meaningful diversity among our investment partners and staff) • Succession Plan (e.g., training and developing strong internal candidates to potentially fill my role in the future) • Strategic Plan (e.g., design initiatives which will meaningfully maintain the investment advantage for CalPERS) 	<p>Score (0 – 10) 0 = 0 5 = 1.0 10 = 1.5</p>	Please see attached document.
25%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		

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Qualitative Performance Measures (cont.)

Leadership Measure – 1st Quarter Status Report

Defined and Presented New Inflation-linked Asset Class

- Board approval of Infrastructure Investments Pilot Program
- Board approval of Inflation Linked Asset Class Pilot Program

Strategic of Real Estate Program

- Final Strategic Recommendations presented in August
- Presented Timber Policy to the Policy Sub-committee

Building a Value-Added Asset Allocation Capability

- Asset Allocation/Risk Manager, Senior Investment Officer hired in August
- Macro/tactical Allocation Account established

Strategic of Global Equity Program

- Presented to the Board Initiation of Strategic Review (Re-organization)

Investment Technology Enhancement

- On going meetings with key divisions to discuss: recruitment of staff; Investment Product Capability; 457 Supplemental Savings Program, Supplemental Contributions Program; interest expressed by smaller foundations, endowments, and other tax-exempt institutions in our investment/actuarial work; Legal Office Opinion on regulatory implications; Staff Development; CFA training program; Outreach to UC Davis, US Berkeley and CSUS.

Participated as a representative of CalPERS in numerous events:

- International Corporate Governance Network Conference (ICGN)
- National CFA Seminar
- Pacific Pension Institute's Global Competition for Natural Resources 2007 Summer Roundtable
- New American Alliance 2007 Pension Fund Forum
- U.S. Senate Committee on Finance – Private Equity and Hedge Funds
- Council of Institutional Investors Fall Conference
- CA Investment Conference
- Annual 2007 Environmental and Energy Conference
- Fall 2007 Asian American Investment Managers Forum
- Annual National Association of Senior Investment Officer's Conference

Other Areas

- Continued to meet with key staff re: Asset/Liability Management Workshop, two major enhancements, two-day workshop in November to be re-structured.
- Asked to participate as Chair of the President's Working Group on Hedge Funds by the U.S. Treasury Department—oversight/regulation/licensing.
- Met with external experts in International Real Estate, Clean Tech-related projects and major forest products companies.